

**Atmos Energy Corporation
Pipe Replacement Program Filing
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**ATMOS ENERGY CORPORATION
KENTUCKY PIPE REPLACEMENT PROGRAM
SURCHARGE CALCULATION OF FORCASTED ACTIVITY
AS OF JUNE 2011 THROUGH SEPTEMBER 2011
DEFICIENCY**

Deficiency

Line No.	Description	Total
1	Project Additions	\$ 3,266,748
2	Project Retirements	(313,089)
3	Net Change to Gross Plant	\$ 2,953,659
4		
5	Cost of Removal to Accumulated Depr.	140,320
6	Retirements from Accumulated Depr.	313,089
7	Depreciation Accrual to Accumulated Depr.	(37,939)
8	Net Change to Accumulated Depreciation	415,470
9		
10	Net Change to Net Plant	\$ 3,369,129
11		
12	Accumulated Deferred Income Taxes	(26,568)
13	Net Change to Rate Base	\$ 3,342,561
14		
15	Rate of Return	8.74%
16	Required Operating Income	\$ 292,000
17		
18	Depreciation & Amortization Expense	37,939
19	O&M Savings	(622)
20	Ad Valorem Tax Increase at	25,845
21	Income Taxes on Cost of Service Items	(24,570)
22	Income Taxes on Adjusted Interest Expense	(43,413)
23	Operating Income at Present Rates	\$ (4,822)
24		
25	Deficiency	\$ 287,179
26	Tax Factor	61.100%
27	Total Proposed Rate Adjustment	\$ 470,014

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SURCHARGE SUMMARY**

Line No.	Tariff Schedule	Customer Charge	Volumetric Charge
1	RESIDENTIAL (Rate G-1)	\$ 0.48	0.0000
2	NON-RESIDENTIAL (Rate G-1)	\$ 1.55	0.0000
3	INTERRUPTIBLE (Rate G-2)	\$ 9.39	
4	Sales: 1-15000		0.0053
5	Sales: Over 15000		0.0000
6	TRANSPORTATION (T-3)	\$ 6.46	
7	Interrupt Transport: 1-15000		0.0053
8	Interrupt Transport: Over 15000		0.0035
9	TRANSPORTATION (T-4)	\$ 6.61	
10	Firm Transport: 1-300		0.0093
11	Firm Transport: 301-15000		0.0065
12	Firm Transport: Over 1500		0.0042

RATE DESIGN

KEY Revenue Requirement \$ 470,014

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CUSTOMERS

Line No.	Tariff	Description	Jun	Jul	Aug	Sep	Total
1	G-1	Residential	151,942	150,326	149,335	148,586	600,190
2	G-1	Commercial Firm	16,812	16,620	16,635	16,492	66,559
3	G-1	Public Authority	1,599	1,570	1,578	1,571	6,317
4	G-1	Industrial Firm	187	187	187	187	748
5							
6	G-2	Commercial Interruptible	3	3	3	3	12
7	G-2	Industrial Interruptible	8	8	8	8	32
8	G-2	Public Authority Interruptible					-
9							
10	T-3	Transportation Interruptible	73	73	73	73	291
11	T-4	Transportation Firm	135	135	135	135	541
12			208	208	208	208	674,690

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DEPRECIATION EXPENSE**

Line No.	Description	Mains	Services	Meters	Total
1	Net Change to Gross Plant	\$ 2,542,931	\$ 389,886	\$ 20,842	
2	Depreciation Rates	2.27%	4.41%	4.60%	
3					
4	Proforma Annual Depreciation Expense	\$ 57,725	\$ 17,194	\$ 959	\$ 75,877
5					
6	Test Year Depreciation Expense (Half-Year Convention)				<u>\$ 37,939</u>
7					
8	End of Test Year Accumulated Depreciation on Test Year Additions				<u>\$ 37,939</u>

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DEFERRED INCOME TAXES

Line No.	Description	Mains	Services	Meters	Total
1	Net Change to Gross Plant	\$ 2,542,931	\$ 389,886	\$ 20,842	
2	Tax Depreciation Rates - Year 1	5.00%	5.00%	5.00%	
3					
4	2011 Tax Depreciation Expense	\$ 127,147	\$ 19,494	\$ 1,042	
5	2011 Book Depreciation Expense	57,725	17,194	959	
6	2011 Book - Tax Difference	(69,422)	(2,300)	(83)	\$ (71,806)
7					
8	2011 Deferred Taxes at 37%				<u>\$ (26,568)</u>
9					
10					
11	<u>Tax Rates</u>				
12	Ad Valorem Tax Rate	0.875%			
13	Income Tax Rate	38.90% *			
14	State Tax Rate	6.00%			
15	Federal Tax Rate	35.00%			
16					
17	<u>*2010 ** Composite Tax Rate Calculation: 6.00% + 35%(100% - 6.00%) = 38.900%</u>				

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SURCHARGE CALCULATION OF FORCASTED ACTIVITY
AS OF JUNE 2011 THROUGH SEPTEMBER 2011
RATE OF RETURN

Line No.	Description	Percent	Cost	Weighted Cost
1	Debt	48.6%	6.87%	3.34%
2	Equity	51.4%	10.50%	5.40%
3		100.0%		8.74%

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SURCHARGE CALCULATION OF FORCASTED ACTIVITY
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O&M SAVINGS

<u>Line No.</u>			
1	Current Year Retired Footage	42,153	feet
2	Total Footage to be Retired	1,320,000	feet
3			
4	ANNUAL TIME SAVINGS FOR LEAK SURVEYING MAIN 2011		
5			
6	Current Year Retired Footage	42,153	feet
7	Feet / Mile	5280	feet
8	2.11 Hours / Mile	2.11	hours
9	Previous Years Leak Surveying Main Time Savings	0	hours
10			
11	Current Year Time Savings for Main Leak Survey	2.53	hours
12	Total Dollars Save for Main Leak Survey	\$88.44	dollars
13			
14			
15	ANNUAL TIME SAVINGS FOR LEAK SURVEYING SERVICES 2011		
16			
17	1.5 Minutes / Service	1.5	minutes
18	60 Minutes / Hour	60	minutes
19	Current Years Renewed Bare Steel Services	641	services
20	Previous Years Leak Surveying Services Time Savings	0	minutes
21			
22	Current Year Time Savings for Service Line Leak Survey	2.4	hours
23	Total Dollars Save for Service Line Leak Survey	\$84.00	dollars
24			
25			
26	ANNUAL TIME SAVINGS FOR LEAK REVALUATION 2011		
27			
28	30 Minutes / Revaluation	30	minutes
29	60 Minutes / Hour	60	minutes
30	Current Years Grade 3 Leaks	804	services
31	Previous Years Leak Revaluation Time Savings		minutes
32			
33	Current Year Time Savings for Leak Revaluation	12.84	hours
34	Total Dollars Save for Leak Revaluation	\$449.31	dollars
35			
36	Total O&M Savings by Cost Center for 2011	\$621.75	dollars
37	Total O&M Savings Cast Iron and Bare Steel Program	\$621.75	

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2011 PROJECT DETAILS

Projects	Project Description	No. of services	Installation			Cost of Removal			Retirements		
			Main	Services	Meters	Main	Services	Meters	Main	Services	Meters
PRP.2609.KIRKWOOD 6	Costs are for the replacement of (3)miles of 6" bare steel.	-	1,109,798			4,020					
PRP.2635.HWY 641 REPLACEMENT	5,000 feet of 4" bare steel replacement/due to relocation of highway 641.	15	289,152			4,020		2,250			
	Contractor			5,250							
	Material			2,138	1,112			765			
	Overhead			2,515	380						
PRP.2636.ALLEN STREET REPLACEMENT	Replace 3,264' 4" steel with 4" PE includes contract labor for 106 svc.	106	224,663			4,020		15,900			
	Contractor			37,100							
	Material			15,105	7,855			5,415			
	Overhead			17,775	2,675						
PRP.2635.FREDERICA STREET REPLACEMENT	Replace 1749' of 8" & 6" Steel Main with 4" PE includes contract labor for 10 svc - Going from LP to IP.	10	177,853			4,020		1,500			
	Contractor			3,500							
	Material			1,425	740			510			
	Overhead			1,675	250						
PRP.2638.Bare main replacement	5000' of Bare main replacement and replacement fo 375 services	125	137,393			4,020		18,750			
	Contractor			43,750							
	Material			17,815	9,265			6,375			
	Overhead			20,930	3,150						
PRP.2735.GLASGOW.SYSINT 2	GLASGOW SYSINT 2" BARE STEEL REPLACEMENT PRITCHERSVILLE RD 3000'	14	83,201			4,020		2,100			
	Contractor			4,900							
	Material			1,995	1,040			715			
	Overhead			2,350	355						
PRP.2735.GLASGOW.SYST.INTGHA	REPLACE 1300'OF 6" BARE STEEL ON HAPPY VALLEY RD	29	155,325			4,020		4,350			
	Contractor			10,150							
	Material			4,135	2,150			1,480			
	Overhead			4,865	730						
PRP.2737.2000 FT DANVILLE BARE STEEL	REPLACE 2000 FT OF BARE STEEL, COMPLETES DANVILLE SYSTEM OF ALL BARE STEEL WITH PLASTIC PIPE.	20	32,448			4,020		3,000			
	Contractor			7,000							
	Material			2,850	1,480			1,020			
	Overhead			3,355	505						
PRP.2738.5000ft bare steel Cville	replace 5000 ft bare steel and convert from L.P. to I.P. (Gowdy St.)	100	204,695			4,020		15,000			
	Contractor			35,000							
	Material			14,250	7,410			5,110			
	Overhead			16,770	2,525						
Total specific budgeted projects & bare steel functional			2,414,528	276,598	41,622	36,180		84,240			
Non specific bare steel functional			376,400	148,400	9,200	5,000		9,300		5,600	
Total budgeted 2011 projects			2,790,928	424,998	50,822	41,180		93,540		247,997	35,112
											29,980